

Key Features

Bank of Scotland Share Dealing Self Invested Personal Pension
Unsecured Pension (USP) and
Alternatively Secured Pension (ASP)

keyfacts

® The Financial Services Authority is the independent financial services regulator. It requires us, A J Bell Management Limited, to give you this important information to help you to decide whether the Bank of Scotland Share Dealing SIPP is right for you. You should read this document carefully so that you understand what you are buying, and then keep it safe for future reference.



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Key Features of the Bank of Scotland Share Dealing Self Invested Personal Pension (SIPP) Unsecured Pension (USP) and Alternatively Secured Pension (ASP)

I. Basics

Its aims

- To provide you with the flexibility to receive a pension without having to buy an annuity, allowing you to continue to invest your pension fund in a tax efficient manner beyond your retirement.
- To provide flexibility over the amount of pension you receive each year, subject to minimum and maximum limits set by HM Revenue & Customs (HMRC), allowing you to tailor this to suit your own circumstances.
- To offer flexibility regarding death benefits in the event of your death after your pension benefits have commenced.

Your commitment

- To determine the most suitable investment strategy for you.
- To regularly review your investment strategy and benefit levels.
- To comply with the Bank of Scotland Share Dealing SIPP Terms and Conditions and to pay the SIPP charges detailed at the end of this Key Features document or set out on the Bank of Scotland Share Dealing website www.bankofscotlandhalifax.co.uk/sharedealing.
- To comply with HMRC rules regarding benefit levels.
- To notify us immediately of any changes to your personal circumstances which might affect your SIPP, including your eligibility to receive benefits.

Risks

Taking income withdrawals may erode the capital value of your fund, especially if investment returns are poor and a high level of income is taken; this could result in a lower income than anticipated in future.

The value of investments can fall as well as rise and is not guaranteed. If income withdrawals near, or at, the maximum permitted by HMRC are taken, such income withdrawals may not be sustainable. The higher the pension you choose to receive, the higher the probability that your pension may have to reduce in the future.

If you continue income withdrawal from age 75 you must take an income between the minimum and maximum levels specified by HMRC. The maximum income permitted by HMRC will reduce significantly compared to that before age 75.

The benefits payable on your death from age 75 will be more restricted and the remaining fund on your death may be subject to significant tax charges, including inheritance tax.

The investment returns on your fund may be less or the charges may be higher than those shown in any illustrations you may receive from us, or obtain yourself using our calculation tools.

There is no guarantee that annuity rates will improve in the future. If you choose to purchase an annuity, the level of pension you receive when you purchase the annuity may be lower or higher than the pension previously being paid under income withdrawal and/or the annuity you could have purchased previously.

Under income withdrawal you will not receive the benefit of the cross subsidy from the funds of annuitants who have died that you would under an annuity.

2. Member Benefits

Is there a limit on the amount of my benefits?

There is no limit on the benefits that may be provided for you under your SIPP. However, if the total value of your pension savings, under all registered pension schemes, exceeds the 'lifetime allowance' (£1.75m for 2009/10) then there will be an additional tax charge, called the lifetime allowance charge, on the excess. For more information on the lifetime allowance and the lifetime allowance charge please see '**How does the lifetime allowance work?**' on page 5.

When can I take my benefits?

You can commence benefits, irrespective of whether or not you continue to work, at any time between age 50 (55 if benefits commence after 5 April 2010) and age 75. It may be possible to commence benefits earlier if you are in serious ill-health.

If you established your SIPP before 6 April 2006 and are entitled to commence benefits before age 50 you will still be able to take benefits from this earlier age.

If, as part of a block transfer, you transfer pension rights to your SIPP from another registered pension scheme, under which you are entitled to commence benefits earlier than age 50 (i.e. because you are in a specialised occupation for which a lower minimum pension age had previously been agreed by HMRC), you may be able to take benefits from that earlier age.

How do I commence benefits?

You must complete a Benefit Form to tell us how much of your SIPP fund you wish to crystallise to take benefits and how you want your benefits to be paid. The form will also ask you about your available lifetime allowance and any protection you have for benefits built up before 6th April 2006.

Can I have a lump sum?

Yes. You can have a pension commencement lump sum up to the lower of:

- 25% of the value of the fund designated to provide your benefits; and
- 25% of your unused lifetime allowance.

The lump sum is currently payable tax-free.

If you have registered with HMRC for enhanced or primary protection, or have a protected lump sum arising from a block transfer to your SIPP, then you may be entitled to a pension commencement lump sum of more than 25%. We will ask you to provide details of any protected lump sums on the Benefit Form.

You cannot take a pension commencement lump sum with the intention of recycling some, or all of it, either directly, or indirectly, to fund a significant increase in pension contributions. This is because the lump sum will be treated as an unauthorised payment. You would be taxed on the payment at between 40% and 55%. Your pension fund would also be subject to a further tax charge of between 15% and 40% (depending how much of the tax charge you had paid).

What about pension benefits?

When you receive your pension commencement lump sum, the remaining fund will be designated to provide you with a pension in one of two ways:

Unsecured Pension (payable up to age 75)

Your unsecured pension fund remains invested and you draw an income from the fund (income withdrawal), up to the maximum level set by legislation. There is no minimum level of income, so you can elect to receive a "nil" pension, if you wish.

You can choose to take a regular income and/or one-off pension payments to suit your individual circumstances.

The maximum level of annual income is set at 120% of the Government Actuary's Department's (GAD) relevant annuity rate, based on your age and the value of the unsecured pension fund at the date funds are first designated to provide unsecured pension and at each subsequent review. The maximum income level will be recalculated every five years.

You can elect to have the maximum income level reviewed at each anniversary of the date funds were first designated to provide unsecured pension. You must make this election in advance of the relevant anniversary.

We will not allow the purchase of short term annuities to provide income from your unsecured pension fund.

You can choose to purchase a lifetime annuity with your unsecured pension fund at any time.

Unsecured pension can continue until you reach age 75 by which time you must have secured all of your pension benefits under your SIPP, by either converting your unsecured pension to alternatively secured pension or by the purchase of a lifetime annuity.

Alternatively secured pension is a continuation of income withdrawal beyond age 75 (see **'What is alternatively secured pension?'** below).

A further lifetime allowance check will be carried out before an unsecured pension fund is:

- used to purchase a lifetime annuity before age 75; or
- converted to alternatively secured pension at age 75

unless the unsecured pension commenced before 6 April 2006 and no further funds have been added to that unsecured pension fund on, or after, that date.

The value crystallised for lifetime allowance purposes in either of the above events will be the value of the remaining unsecured pension fund less the amounts previously crystallised and designated to unsecured pension.

It is important to note that any unsecured pension funds transferred in from other registered pension schemes will be kept separate from any other funds held for you under the SIPP and will be subject to their own limits and review periods.

Before selecting unsecured pension you should read the section under **'Risks'** on page 3.

Lifetime Annuity

Purchasing a lifetime annuity involves passing the value of your SIPP to an insurance company of your choice who in return will provide you with a regular, taxable, income throughout your life.

The annuity available will depend on the value of your fund and the annuity rates at the date of purchasing the annuity.

The annuity income may increase each year; may be guaranteed for up to ten years (i.e. paid irrespective of whether you are alive) and may continue, normally at a reduced level, to your surviving spouse or dependant.

If an annuity is purchased, you will cease to have any involvement with the investment of your pension fund. This may be a more appropriate choice if security of income is an important issue.

If you choose to purchase a lifetime annuity you are free to choose whichever annuity provider on the market is offering the best rates. A J Bell Management Limited will not restrict you to purchasing a lifetime annuity from a particular provider, nor will we offer any advice regarding your annuity options.

What is alternatively secured pension?

An alternatively secured pension is a continuation of income withdrawal from age 75. As with an unsecured pension, your SIPP fund will remain invested and you will be able to choose how much income to withdraw each year between the minimum and maximum limits set by HMRC.

For an alternatively secured pension, the minimum income which must be taken each year is 55% of the GAD relevant annuity rate for a 75 year old. The maximum income that can be withdrawn is 90% of the GAD relevant annuity rate for a 75 year old.

The minimum and maximum income levels are reviewed annually based on the value of the fund at the review date but using the GAD relevant annuity rate for a 75 year old, regardless of your age at the time.

You can choose to purchase a lifetime annuity with your alternatively secured pension fund at any time.

Before selecting alternatively secured pension you should read the section under **'Risks'** on page 3.

Do I pay tax on pension payments?

All pensions paid to you will be subject to income tax. We will deduct the income tax due before paying your pension and will account for it to HMRC.

How does the lifetime allowance work?

The Government has set the standard lifetime allowance at £1.75m for 2009/10 and it will increase as follows:

2010/11	£1.8m
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It may increase in future years, but this is not guaranteed

Each time new benefits commence ("crystallise") a portion of your lifetime allowance is used up.

Once you have used up your lifetime allowance, any benefits paid above the allowance will be subject to the lifetime allowance charge. If excess funds are used to provide a taxable pension, the lifetime allowance charge is 25% of the excess above the lifetime allowance. Alternatively if excess funds are paid as a lump sum, called a lifetime allowance excess lump sum, the lifetime allowance charge is 55%. We will deduct this tax charge from your fund and pay it to HMRC before paying your benefits.

If you have built up substantial pension savings before 6 April 2006 and have registered for enhanced and/or primary protection ('transitional protection') with HMRC then this may reduce, or eliminate, any lifetime allowance charge that would otherwise be payable.

3. Death Benefits

What happens if I die before age 75?

Uncrystallised funds

Uncrystallised funds are those where benefits have not yet commenced i.e. you have not yet received your pension commencement lump sum and commenced your pension.

The Scheme Administrator will decide who will receive benefits and the form of the benefits, in its absolute discretion. However, it will take into account any wishes you have expressed through the completion of a nomination of beneficiaries. You may complete a new nomination at any time.

Death benefits will normally be paid as a lump sum but pensions may be provided for a spouse and/or dependant, either under income withdrawal or by annuity purchase.

Lump sum payments on death are normally free of any inheritance tax but we cannot guarantee that this will be the case. You must consult a financial adviser if you are unsure.

Unsecured pension funds

The Scheme Administrator will decide who will receive benefits and the form of the benefits, in its absolute discretion. However, it will take into account any wishes you have expressed through the completion of a nomination of beneficiaries.

The value of your fund can be used to pay benefits in the form of:

- a lump sum, subject to deduction of a 35% tax charge; and/or
- a pension for your spouse and/or dependant, either by way of an annuity purchase or under income withdrawal.

Lifetime annuity

If you die after an annuity has been purchased then the benefits payable, if any, will be determined by the terms of the annuity contract.

What happens if I die after age 75?

Alternatively secured pension

If your pension is being paid under alternatively secured pension then the full value of your alternatively secured pension fund will be applied to provide pension benefits for your surviving spouse or dependants, either in the form of income withdrawal, or through the purchase of an annuity.

The Scheme Administrator will decide who the pension will be paid to but will take into account any wishes you have expressed by completing a nomination of beneficiaries.

If you do not leave a surviving spouse, or dependant, then the value of your fund may be paid to a charity nominated by you for this purpose. Any funds paid to a charity, or paid out in pension benefits to your spouse, or dependants, will be exempt from Inheritance Tax (IHT).

If on your death you have no dependants and have not nominated a charity to receive any remaining fund, then the Scheme Administrator may be able to pay a lump sum to your family or other beneficiaries. This payment will be an “unauthorised payment” and will be subject to very significant tax charges, including IHT.

We will deduct any IHT and any taxes payable by the scheme from your fund before paying any death benefits and pay them to HMRC. Any other tax charges will be payable by the recipient.

If you are considering using ASP, you should consult a financial adviser for more information on the benefits that can be paid on your death and the tax charges payable.

Lifetime annuity

If you have purchased an annuity then the benefits payable, if any, will be determined by the terms of the annuity contract.

My right to change my mind

On the first occasion that you choose to take unsecured pension (USP) or alternatively secured pension (ASP) you will have the right to cancel the option within 30 days of the date that you crystallise benefits (USP) or your 75th birthday (ASP). If you do cancel you will have to return any pension commencement lump sum or income that has already been paid to you. For ASP you will then have to purchase an annuity or transfer the fund to another pension provider.

You may exercise your right to cancel by writing to us at:

**Bank of Scotland Share Dealing SIPP Administration Team
A J Bell Management Limited
Trafford House
Chester Road
Manchester
M32 0RS**

Fax No: 0870 240 0513

Or by e-mail at bossipp@sippdeal.co.uk

Quoting your name and SIPP reference number.

If you do not exercise your cancellation rights you will not be able to cancel your choice to take USP or ASP benefits at a later date. You will, however, be able to transfer your benefits to another registered pension scheme or purchase an annuity.

What if I have further questions?

You must contact us at the following address or visit the website at www.bankofscotlandhalifax.co.uk/sipp

Bank of Scotland Share Dealing SIPP Administration Team
A J Bell Management Limited
Trafford House
Chester Road
Manchester
M32 0RS

Will you pay any benefits not described above?

These Key Features describe the main forms of authorised benefit payments that can be paid by a registered pension scheme. We cannot be compelled to make any payment that is not authorised by Finance Act 2004.

We are required to report any unauthorised payments to HMRC. If an unauthorised payment is made, then you, or the person who receives the payment, will be subject to an additional tax charge of between 40% and 55% of the payment. Your SIPP will also be subject to a further tax charge of between 15% and 40% of the payment, depending on the amount of the tax charge that you have paid. In extreme circumstances, HMRC may deregister the SIPP in which case a further tax charge of 40% of the value of the SIPP will be payable to HMRC.

Are there any compensation arrangements covering my SIPP?

The Financial Services Compensation Scheme (FSCS) has been set up to deal with compensation, if firms are unable to meet claims made against them.

The amount of compensation available under the FSCS depends on the type of business and the circumstances of the claim. Further information about the compensation arrangements is available from the Financial Services Compensation Scheme (www.fscs.org.uk).

Can you provide advice?

Neither Bank of Scotland Share Dealing, A J Bell Management Limited nor Sippdeal Trustees Limited can provide any advice in relation to:

- Whether you should transfer existing pension benefits into your SIPP;
- Whether to buy an annuity or elect for income withdrawal;
- Whether, or not, you should apply for transitional protection for pension rights built up before 6 April 2006; or
- Tax or financial services related matters.

If you need any advice, or are unsure of which benefit option to choose, you must contact a financial adviser. Your adviser will give you details about the cost of advice.

What if I have a complaint?

Please write to the Compliance Officer in the first instance at:

A J Bell Management Limited
Trafford House
Chester Road
Manchester
M32 0RS

If you are not satisfied with our response, you may refer your complaint to the Pensions Ombudsman, if your complaint concerns the administration of your SIPP.

Help is also available from The Pensions Advisory Service (TPAS) who can advise you on how to complain and may be able to sort the matter out, without the need for the Ombudsman to get involved. The address for both the Pensions Ombudsman and TPAS is as follows:

11 Belgrave Road
London
SW1V 1RB

Tel: 0845 601 2923

All other complaints may be referred to:

The Financial Ombudsman Service
South Quay Plaza
183 Marsh Wall
London
E14 9SR

Tel: 0845 080 1800

Making a complaint will not affect your right to take legal proceedings.

IMPORTANT

Full details of the legally binding contract between you and A J Bell Management Limited are included in the Bank of Scotland Share Dealing SIPP Terms and Conditions, which you will have read when you took out your SIPP. A further copy is available from the Bank of Scotland Share Dealing website www.bankofscotlandhalifax.co.uk/sharedealing or by calling Bank of Scotland Share Dealing on 0845 606 1188.

The law of England and Wales will apply in all legal disputes.

If you would like a copy of this or any other item of our literature in large print, Braille or in audio format, please contact us on 0845 606 1188 or by e-mail bossipp@sippdeal.co.uk

4. Miscellaneous

The SIPP and investment charges are set out on page 9 and also available at www.bankofscotlandhalifax.co.uk/sharedealing or by calling Bank of Scotland Share Dealing on 0845 606 1188.

Our charges for the administration of your SIPP are explicit and are set at a level to reflect the amount of work involved. You will see that the charges become cost effective at a low fund size.

Administration

Quarterly Administration Charge (Note 1)	£18.75 for fund value less than £50,000 £37.50 for fund value £50,000 and above
Insufficient funds e.g. to pay benefits or charges	£25
Transfer out to another registered pension scheme, or annuity purchase	£75

Benefits

Income Withdrawal (Notes 2 & 3) – unsecured pension (USP), or – alternatively secured pension (ASP)	£150 per annum up to the age of 75, payable annually in advance £250 per annum from your 75th birthday, payable annually in advance
Designation of additional funds to existing USP fund (Note 3)	£75
Payment of death benefits	Time/cost basis

Notes

1. Payable in arrears at the end of March, June, September and December.
2. The annual income withdrawal charge will become payable immediately funds are designated to provide USP or ASP, even if you elect to take “nil” income.
3. No additional charge is made when the first funds are designated to provide unsecured pension, or funds are designated to alternatively secured pension at age 75.
4. All charges are subject to VAT in addition (Currently 15%).
5. All charges will be deducted from your Bank of Scotland Share Dealing SIPP.
6. These charges may be shared between A J Bell Management Limited and Bank of Scotland Share Dealing.

Investment Charges

Dealing and stockbroking administration service charges are payable in addition to the Bank of Scotland Share Dealing SIPP administration charges and are detailed below:

Dealing Charges

Value of deal	Purchases with a SIPP Investment Plan	Real-time online purchases	Real-time online sales	Telephone purchases and sales
Deals up to £250	£1.50	£11.95	£5.00	£15.00
Over £250	£1.50	£11.95	£11.95	£15.00
Up to £2,500	£1.50	£11.95	£11.95	£15.00
Over £2,500 to £5,000	£1.50	£11.95	£11.95	£30.00
Over £5,000 to £10,000	£1.50	£11.95	£11.95	£40.00
Over £10,000 to £60,000	£1.50	£11.95	£11.95	£60.00
Over £60,000	£1.50	£11.95	£11.95	Available on request
International Dealing	n/a	£17.50	£17.50	£20.00

Stockbroking Administration Charges

Transfer out of shares to another pension provider	£15 per investment
Ad hoc statement or valuation (on request)	£30 per item + VAT
Re-investment of dividends	1% of the value of the deal, capped at £1.50

Interest Rates

Information on the interest rate payable on cash held in your Bank of Scotland Share Dealing SIPP is available on www.bankofscotlandhalifax.co.uk/sharedealing or by calling 0845 606 1188.

A J Bell Management Limited is the Scheme Administrator of the Bank of Scotland Share Dealing SIPP. A J Bell Management Limited is registered in England No. 3948391. Registered Office: Trafford House, Chester Road, Manchester M32 0RS. Authorised and regulated by the Financial Services Authority and on the FSA register under FSA register number 211468. Sippdeal Trustees Limited is a wholly owned subsidiary of A J Bell Management Limited, registered in England No. 4050222. Registered Office: Trafford House, Chester Road, Manchester M32 0RS. Sippdeal Trustees Limited does not conduct any regulated activities, and is, therefore, not regulated.

Dealing and stockbroking administration services are provided by Halifax Share Dealing Limited trading as the Bank of Scotland Share Dealing Service. Halifax Share Dealing Limited is part of the Lloyds Banking Group. Share Dealing Limited is registered in England No. 3195646 Registered Office: Trinity Road, West Yorkshire HX1 2RG. Authorised and regulated by the Financial Services Authority, 25 The North Colonnade, Canary Wharf, London E14 5HS. A Member of the London Stock Exchange and an HM Revenue & Customs approved ISA Manager.

